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FINANCIAL SITUATION OF UNIDO, INCLUDING ARREARS

Terms of payment plan

Note by the Director-General

1. In decision IDB.19/Dec.5, the Board adopted the report of the open-ended discussion group on timely payment of assessed contributions, as contained in documents IDB.19/12 and Corr.1.

2. Among the measures to encourage payment of arrears was settlement through a payment plan, the terms of which were outlined in the report of the discussion group. As stipulated by the discussion group and adopted by the Board, the maximum period for the payment plan should not exceed five years (IDB.19/12, para. 13 (b)).

3. In a letter dated 14 June 2001 from the Minister for Economy of Ukraine and reproduced in the annex to the present document, the Director-General was informed of the proposal of Ukraine to pay its accumulated arrears in instalments over a maximum period of 15 years. This proposal is presented to the Board for its consideration.

ACTION REQUIRED OF THE BOARD

4. The Board may wish to consider the request of Ukraine to pay its arrears in instalments over a maximum period of 15 years.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

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Annex

LETTER FROM UKRAINE

Unofficial translation

Kyiv, 14 June 2001

Dear Mr. Director-General,

I have the honour to inform you that the Government of Ukraine would like to settle the problem of arrears due to the United Nations Industrial Development Organization and restore its right to vote.

The substantial arrears accumulated by Ukraine emerged due to the reasons beyond her control. These arrears are the result of the outdated system of apportionment of expenditures, which during many years was unable to take into account adequately the country's capacity to pay and react timely to its changed economic and financial potentialities. As a result of functioning of this system Ukraine's contributions to be paid to the UNIDO budget in 1996-1999 almost three times exceeded the amount of payments corresponding to its capacity to pay.

At present Ukraine undergoes a difficult stage of its development. Accelerated implementation of economic reforms and transformation towards a new society, enhancing indications of economic growth require considerable additional material and financial resources.

We still have to allocate a significant part of the State budget to eliminate the consequences of the Chernobyl nuclear disaster. Furthermore, considerable additional funds are needed in connection with the shutting down of this nuclear power plant itself.

Thus, economic problems of the transition period do not permit us to pay all arrears by a single and immediate payment in one instalment.

Nevertheless, the Government of Ukraine confirms its commitment to the purposes and objectives of UNIDO. Wishing to continue fruitful cooperation with UNIDO and full-fledged participation in its work, our Government is currently seeking ways to pay off its arrears.

I would, therefore, propose to establish an Agreement between the Government of Ukraine and UNIDO concerning the settlement of Ukraine's arrears under the following provisions:

Ukraine undertakes to pay the accumulated arrears to UNIDO, amounting to USD 8,392,066 and ATS 3,948,466, as well as the current year's assessed contributions, in instalments over a maximum period of fifteen years from the date of the Agreement.

I hope that this proposal will receive favourable treatment.

Please accept, Mr. Director-General, the assurances of my highest consideration.

Vasyl' Rogovyi
Minister for Economy of Ukraine

His Excellency
Mr. Carlos Magariños
Director-General
United Nations Industrial Development Organization
Vienna